

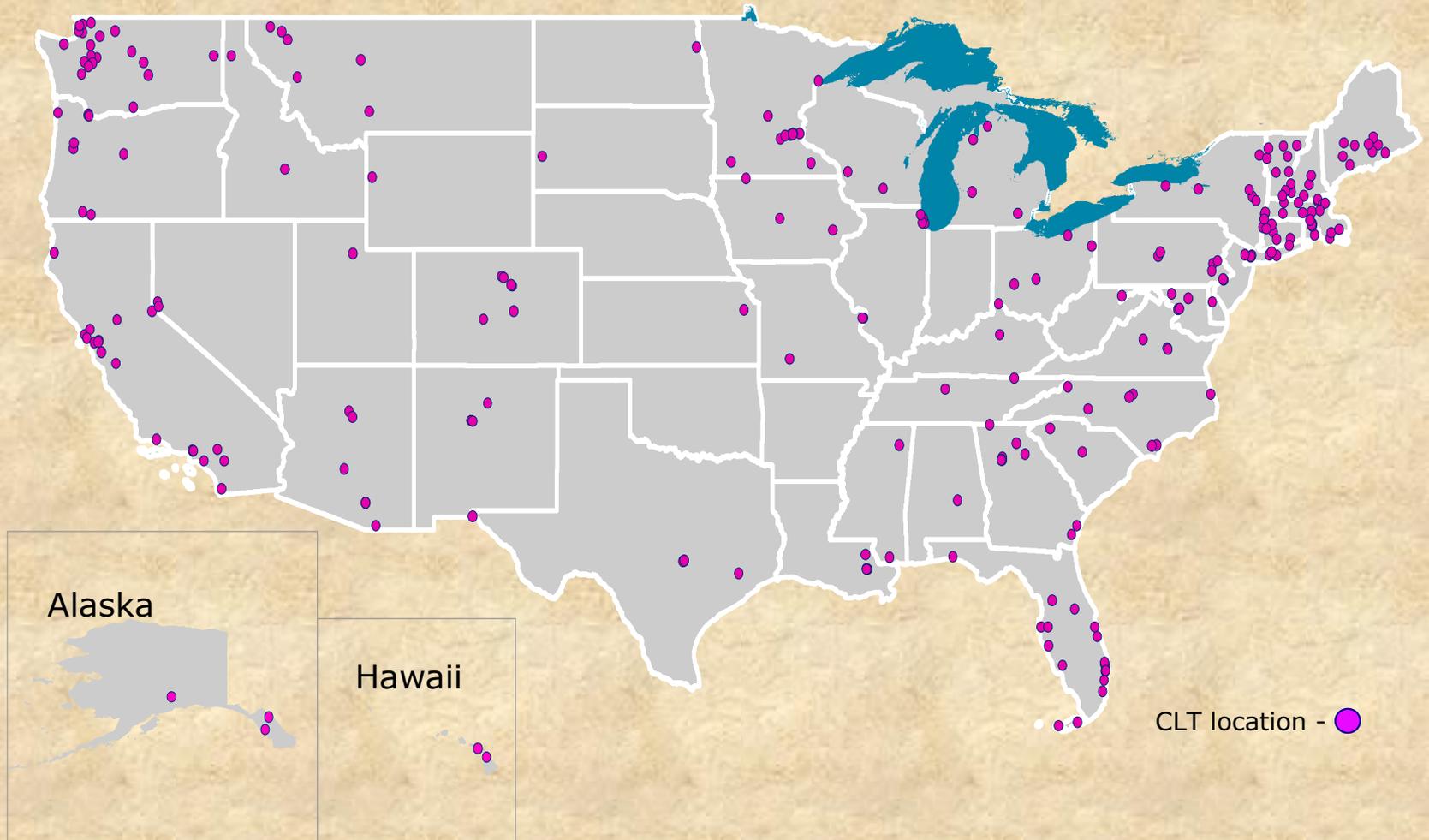
Community Land Trusts

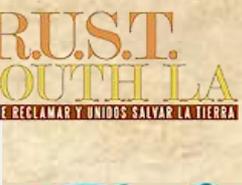
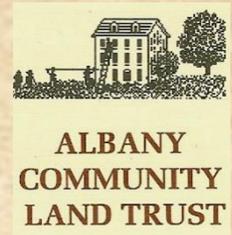
**Hudson Valley Pattern for Progress
From Blight to Bright
November 1, 2019**

**Brian Pine
Burlington Associates in
Community Development LLC**



Community Land Trusts in the United States





Community Land Trusts

How are they structured?

How Do they work?

How does a community land trust work?

Various sources of public and philanthropic capital...

...are used by community land trusts...

...to acquire homes in a geographic focus area.



- Private donors
- Federal housing subsidies
- City-owned property
- Community foundations
- Anchor institutions



CLT



Community land trusts tweak the normal process of homebuying...

A new resident buys their house outright...



...but leases the land underneath from the CLT.



They pay an annual fee to the CLT to support its operations...

CLT

...and the CLT retains permanent ownership of the land.

...to make housing permanently affordable.



Current resident sells their house at a price set by the CLT, earning a portion of the increase in value of their home...

CLT

...while the CLT retains the land.



A new resident buys the house at a price that's been kept affordable...



...and agrees to the same requirements around resale.

Why CLTs Matter

Although the first community land trust in the US was started in rural Georgia in 1970 by civil rights leaders to help poor black farmers, today, the majority of the country's nearly 250 community land trusts are today located in urban areas.

CLTs create affordable housing while still allowing low-income residents to build equity as homeowners. Moreover, because the CLT retains ownership of the underlying land, this housing remains permanently affordable, even as the original beneficiaries of an affordable home price sell and move on. This long-term, continuing benefit makes CLTs an especially efficient use of affordable housing subsidies.

By locking in permanent access to affordable housing, CLTs can play an important role in countering the market-driven displacement associated with gentrification. And by stewarding neighborhood land for the public good, not speculative profit, CLTs have played an equally important role in stabilizing communities by preventing unnecessary foreclosures.

CLTs are typically governed by:



CLT

The CLT's geographic focus allows it to not only provide affordable housing, but to play an important role in stabilizing neighborhoods.



As it diversifies its portfolio, the CLT can also own land in trust for permanently affordable rental housing or community-focused commercial developments.

Shared Equity (CLT) Homes by the Numbers



The median shared equity household accumulates
\$14,000
in earned equity.
(compared to a median initial investment of \$1,875)



95%

of shared equity homes are priced affordably (under 30% of monthly income) for households earning 80 percent of AMI or below

7 out of **10**

shared equity homeowners are first-time homebuyers



The share of minority households living in shared equity homes increased from

13% to **43%**
(1985-2000) (2013-2018)



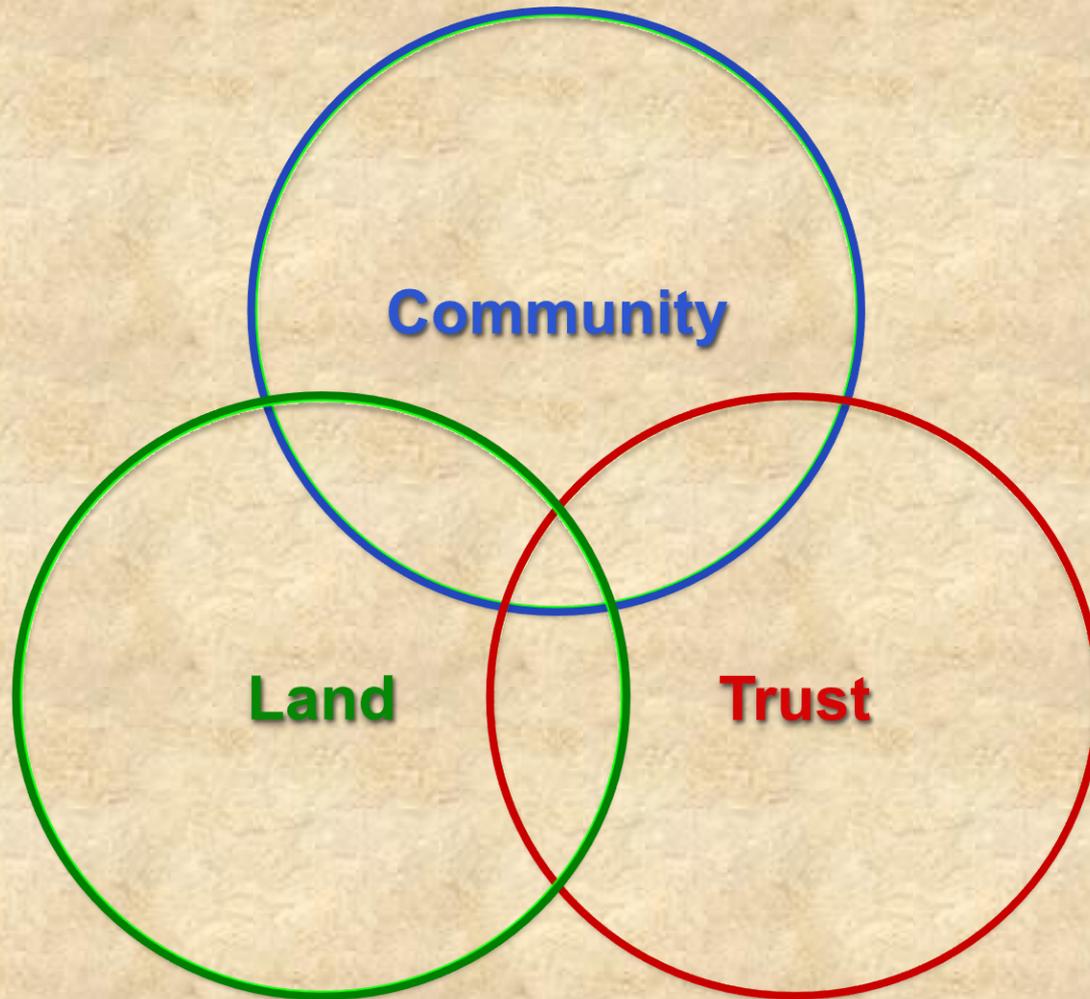
Over
99%
of shared equity homes avoid foreclosure proceedings

6 out of **10**

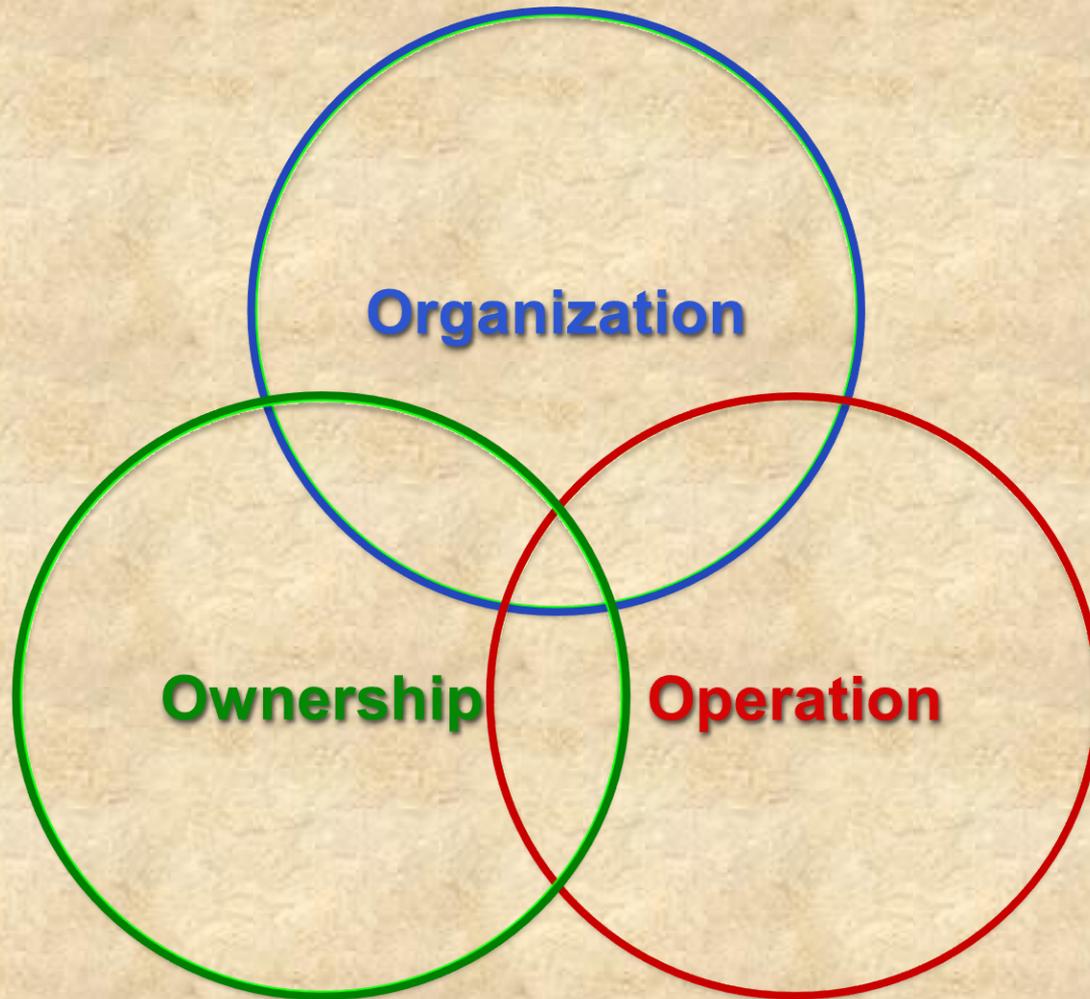


shared equity homeowners use their earned equity to eventually purchase a traditional market rate home.

Community Land Trust



Community Land Trust





COMMUNITY

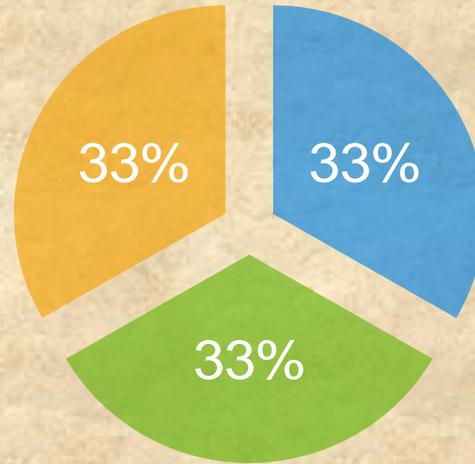
An Innovative Model of Organization

- ⇒ **Nonprofit corporation holding the land**
- ⇒ **Membership open to anyone residing within a geographic area**
- ⇒ **Balance of interests on the governing board**



Board of Directors, Community Land Cooperative of Cincinnati, 1981

Organization of the "Classic" CLT



**Public Interest
Representatives**



**Community
Members**



Leaseholders



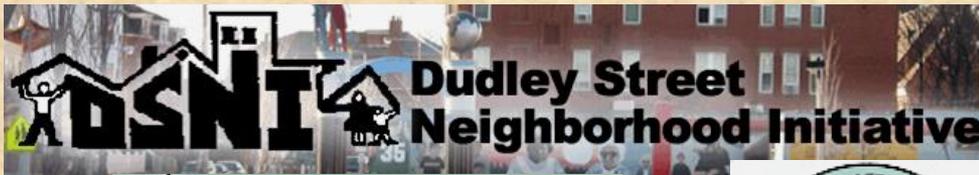
Organizational Variations: Grafted onto an Existing Nonprofit

Spin-off

Conversion



**Corporate Subsidiary
or Internal Program**

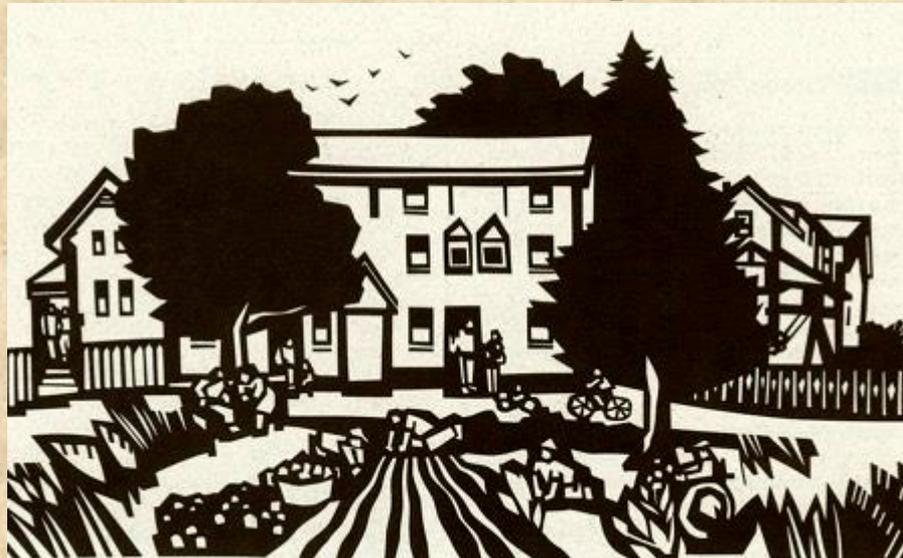




LAND

An Innovative Model of Ownership

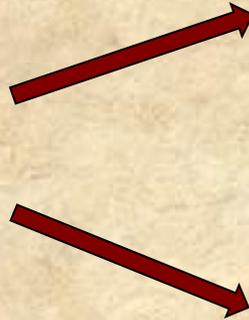
- ⇒ **Community ownership of the land**
- ⇒ **Individual ownership of the structural improvements**
- ⇒ **Long-term ground lease, balancing the interests of both parties**





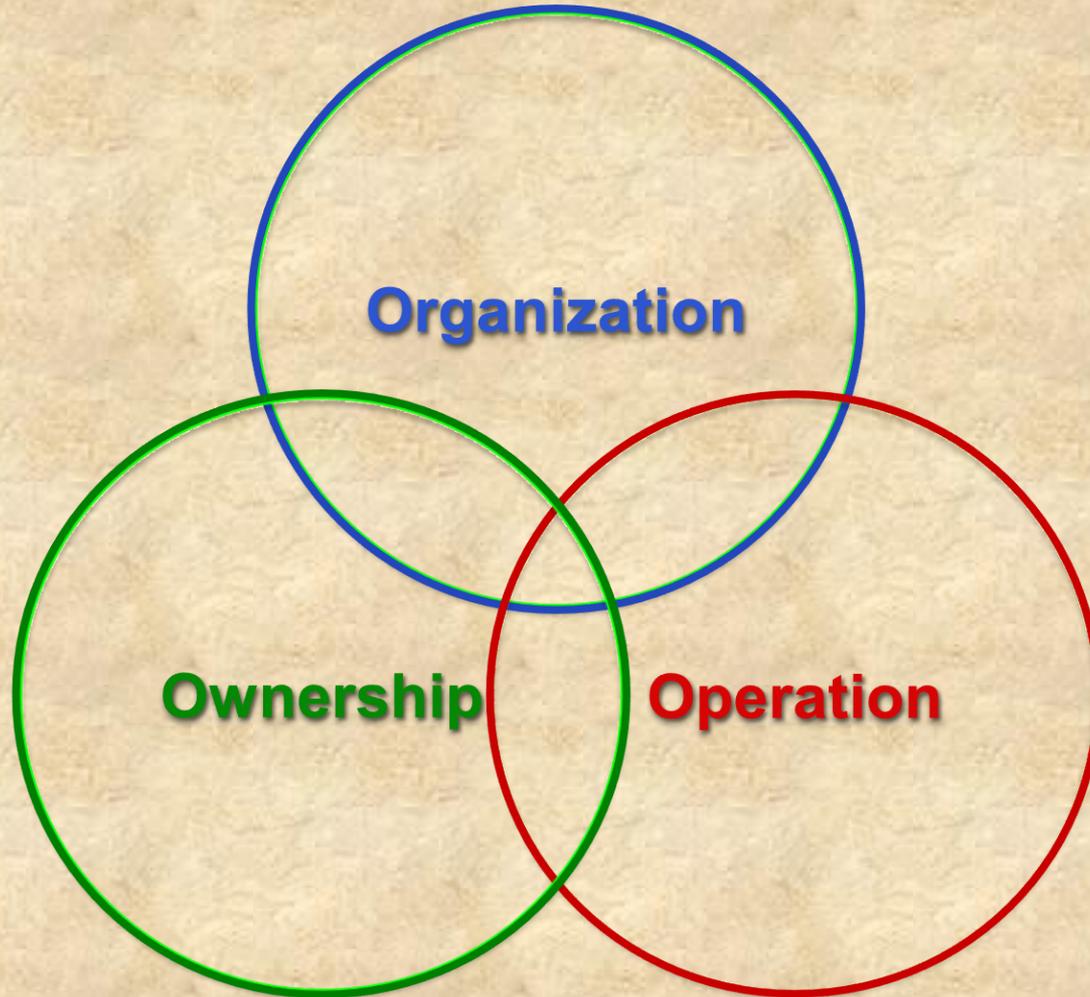
COMMUNITY LAND TRUSTS: Who Owns What?

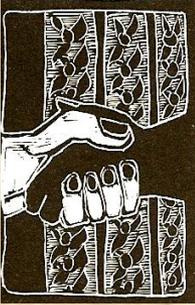
Ground lease
ties together
the **house**
and **land**



- **Lease is long-term**
- **Lease is inheritable**
- **Lease and house are mortgage-able**
- **Lease is balanced**

Why Does a CLT Hold Onto the Land?





TRUST

An Innovative Model of Operation

- ⇒ **Preserve affordability – preventing displacement and ensuring access to land and housing for low-income and moderate-income people**
- ⇒ **Preserve quality – keeping buildings in good repair**
- ⇒ **Prevent foreclosures – keeping people in their homes, in good times and bad**

The "Three Faces" of STEWARDSHIP



Trust = Stewardship

It's About Plugging the Leaky Bucket

Loss of
affordability
when
markets are
HOT



Erosion of
condition and
security when
markets are
COLD

Not Only Loss of **Homes**

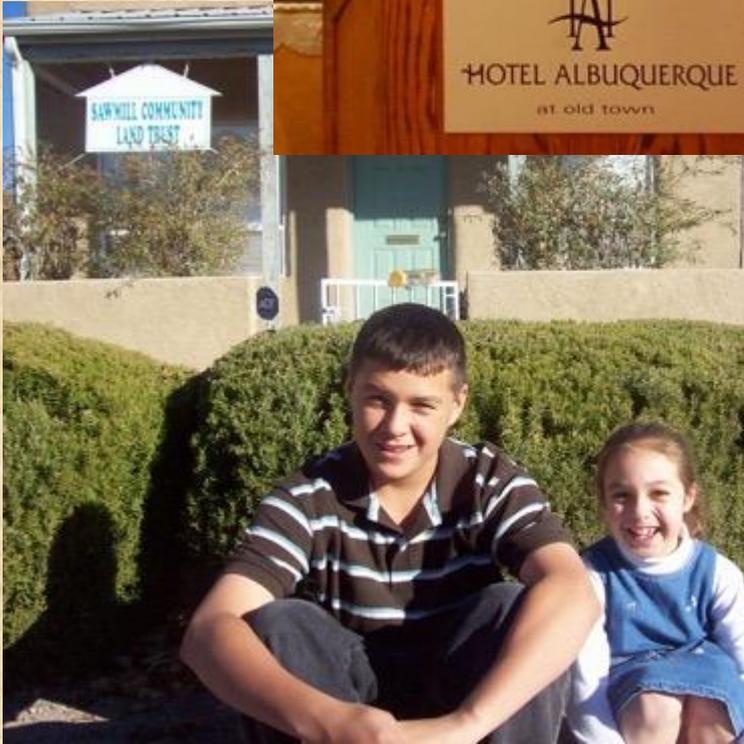


Also the Loss of
Neighborhood
Stability & Diversity





“We are the developer that doesn’t go away” **Connie Chavez, Former Executive Director**
Sawmill Community Land Trust



Stewardship Works!!



Homeownership Today and Tomorrow: Building assets while preserving affordability

By Miriam Axel-Lute, Associate Director, National Housing Institute
for the Cornerstone Partnership, a program of NCB Capital Impact



NATIONAL
HOUSING
INSTITUTE



Cornerstone Partnership
Keeping Homes Affordable & Communities Strong



BALANCING AFFORDABILITY AND
OPPORTUNITY: AN EVALUATION OF
AFFORDABLE HOMEOWNERSHIP
PROGRAMS WITH LONG-TERM
AFFORDABILITY CONTROLS

CROSS-SITE REPORT

Final Report
October 2010

Prepared by:
 The Urban Institute
2100 M Street, NW • Washington, DC 20037

"Counter-cyclical stewardship"

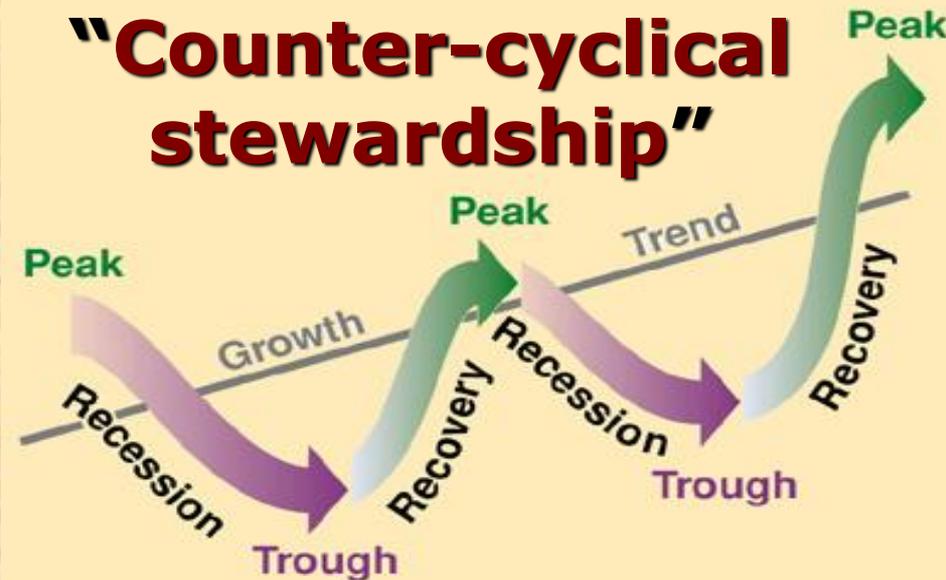
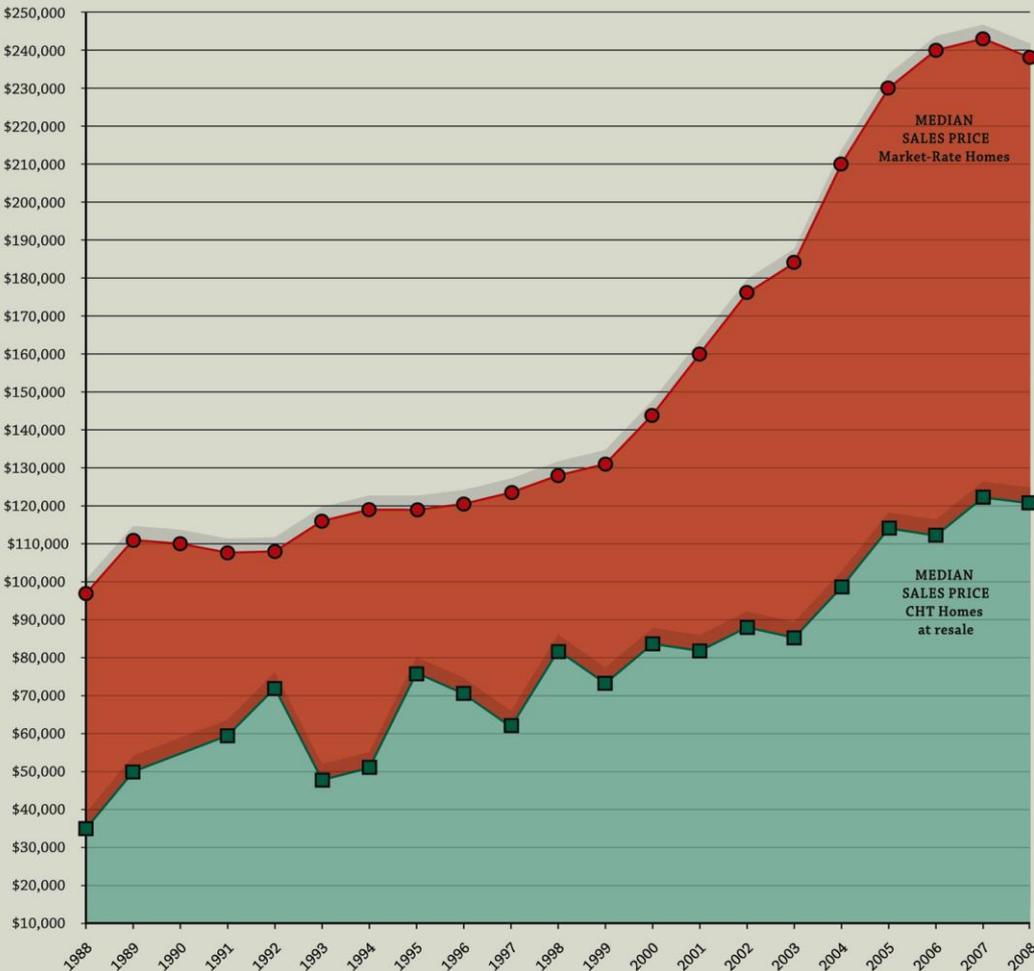
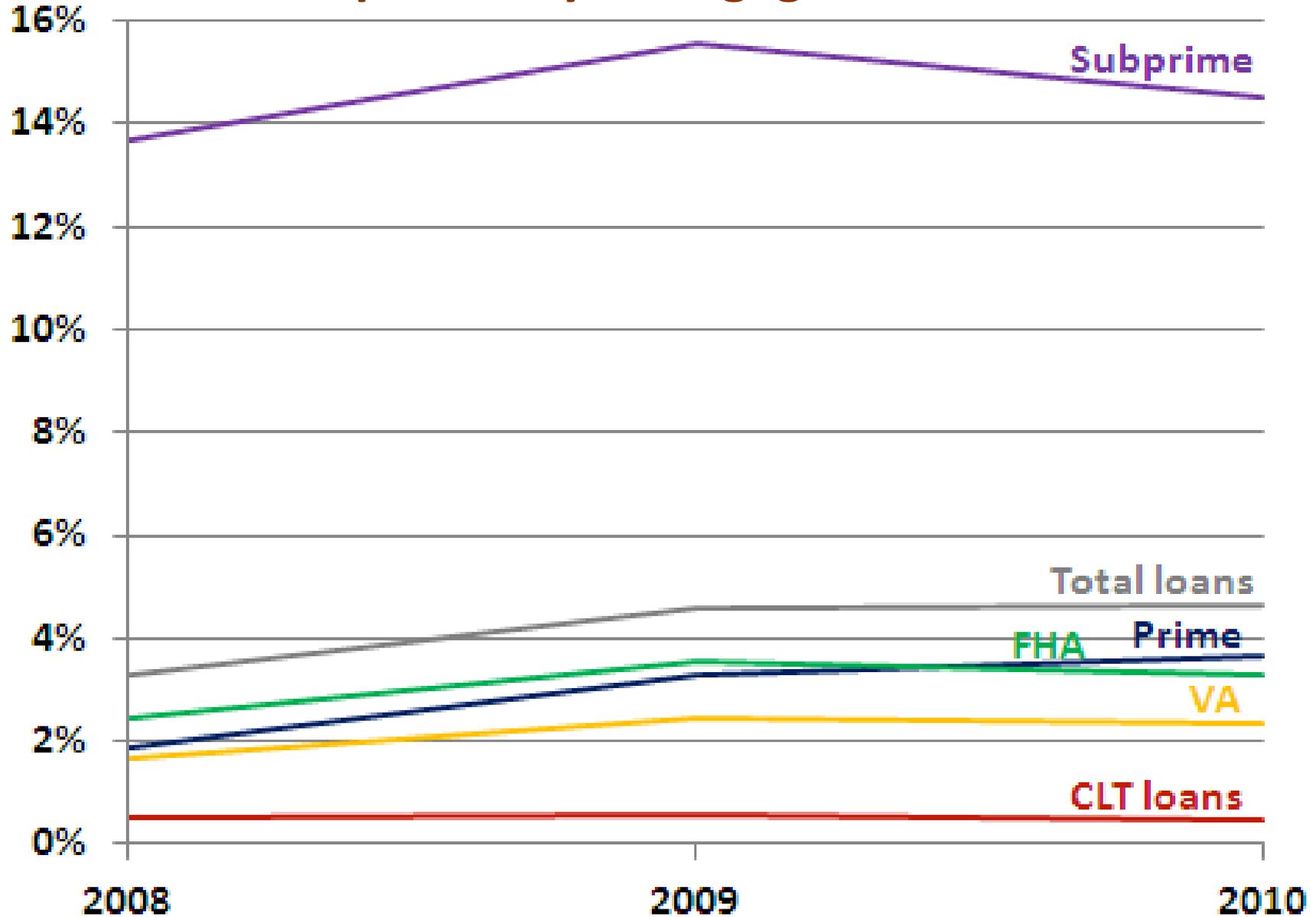


Figure 1 Median Price of CHT Resales



During the hot real estate market of 1999-2006, median sales price of market homes increased by **85%**. For CHT homes, the price increase from 1999-2006 was **35%**.

End of Year Foreclosure Rates Among CLT Homeowners vs. Foreclosures Reported by Mortgage Bankers Association



5-Year Success Rate for New Homeowners

Urban Institute, 2010

**One Roof
Duluth MN**

95%

**Thistle
Housing
Boulder CO**

91.2%

**Champlain
Housing Trust
Burlington, VT**

91.8%

Success of non-CLT first-time homeowners
(Herbert and Belsky, 2008)

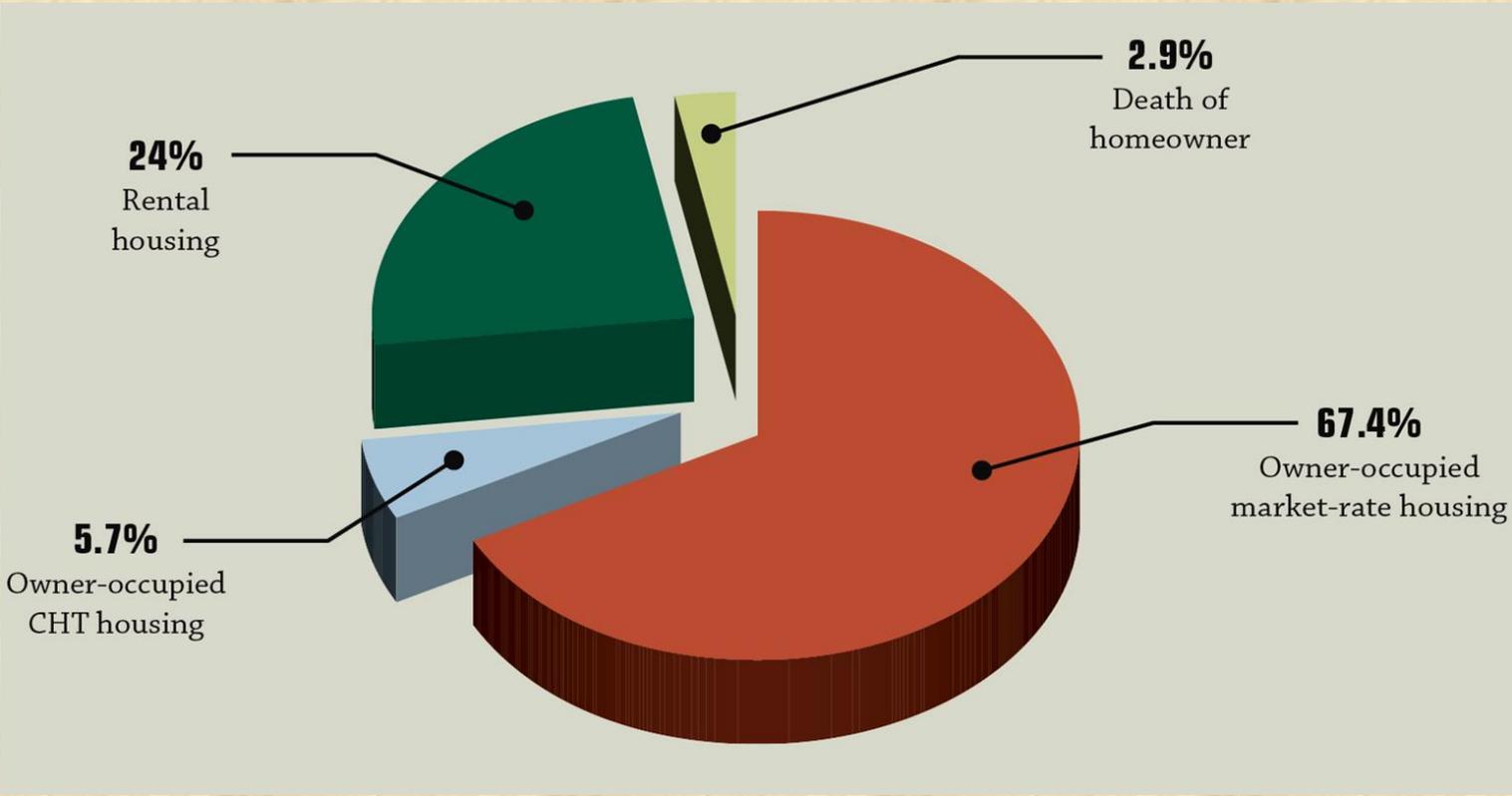
50%

Success of non-CLT first-time homeowners
(Reid, 2004)

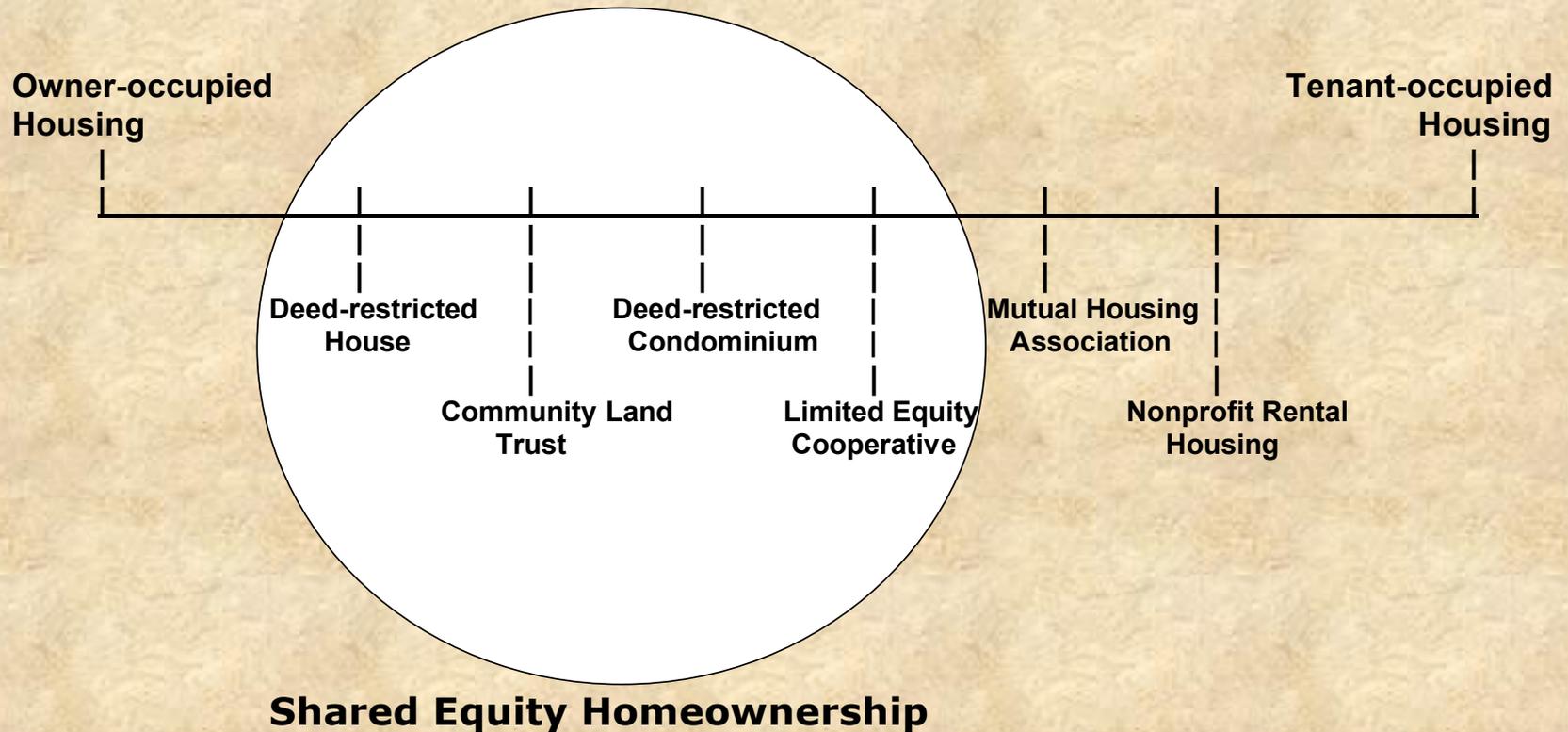
47%



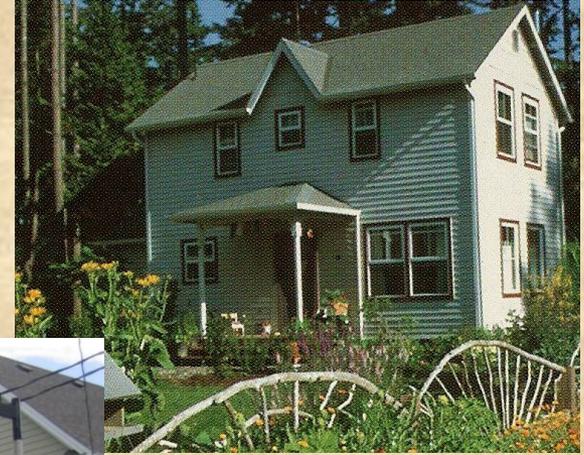
Table 12 What Kind of Housing Was Secured by CHT Homeowners After Selling a CHT Home?



CLTs are part of a continuum that changes the way that housing is owned and operated



CLTs produce and preserve single-family houses . . .



... but CLTs also do other types & tenures of housing



... and non-residential buildings and uses too



	Community Land Trust	Municipal Land Bank
Corporate status	Private, not-for-profit corporation	Public agency or quasi-public municipal corporation
Enabling act	A state enabling act is usually <i>not</i> required to create a CLT. Most CLTs are incorporated under a state's existing nonprofit statute.	Unless housed within an existing city department or urban redevelopment authority, a state enabling act <i>is</i> usually required to create a city land bank.
Board composition	Tripartite board made up of leaseholders, community representatives, and public representatives.	Board composed entirely of political appointees. A few seats may be reserved for community representatives, but these are usually hand-picked by city hall.
Voting membership	Yes. All leaseholders and any resident of the CLT's targeted "community" may become a voting member.	No
Board selection	2/3 of directors elected by members; 1/3 of directors appointed to seats reserved for "public" representatives.	Board appointed by mayor, city council, or county commission.
Acquisition of property	Purchase on open market; private land donations; bargain sales; receipt of "surplus" public property.	Purchase on open market; receipt of "surplus" public property; or forced sale (eminent domain).
Use of eminent domain	No	Yes
Property tax exemption	No	Yes
Duration of ownership	Land is owned by the CLT "forever." Buildings are sold to private owners as soon as buildings have been constructed or rehabilitated.	Title to land and any buildings on the land is held by the land bank for a short period of time, usually three - five years.
Transfer of property	Buildings are sold to private owners at an affordable price. Title to the underlying land is retained by the CLT. The land is leased to the owners of buildings on the CLT's lands, using a ground lease that is long-term, inheritable, and mortgage-able.	Lands and buildings are both sold to private owners, usually for the highest price the market will bear, after the land bank has cleared title, removed contaminants, demolished dilapidated buildings, and (in some cases) developed necessary infrastructure.
Recycling of the public's investment	Subsidy retention. Subsidies invested in acquiring and developing lands are locked into the property, lowering the price for future homebuyers (or other occupants).	Subsidy recapture. Subsidies invested in acquiring and developing lands are claimed by the land bank on the sale of the property.
Permanent affordability of land and buildings?	Yes. The CLT retains an option to repurchase homes (and other buildings) whenever their owners decide to sell. Homes are repurchased and resold for a formula-determined price that keeps homes affordable forever.	No. A public land bank typically imposes no affordability restrictions on lands and buildings that are removed from the land bank's inventory and sold on the open market.
Permanent responsibility for homes & homeowners?	Yes. The CLT has a right (via the ground lease) to require leaseholders to keep their buildings in good repair. The CLT also has a durable right to intervene in cases of a mortgage default to prevent foreclosure.	No. A public land bank typically imposes no conditions on the upkeep of buildings sold out of the land bank's inventory. Nor does it intervene, should the owner of one of these buildings later face foreclosure.

Land banks and land trusts can – and should – work together!

Municipal land banks

Disposition problem



Community land trusts

Acquisition problem